

**IN THE UNITED STATES DISTRICT COURT  
FOR THE MIDDLE DISTRICT OF GEORGIA  
MACON DIVISION**

**VC MACON, GA LLC,**

*Plaintiff,*

v.

**VIRGINIA COLLEGE LLC,**

*Defendant.*

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CIVIL ACTION NO.  
5:18-cv-00388-TES

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**RECEIVER'S INITIAL REPORT**

COMES NOW, John F. Kennedy, Receiver in the above-styled action pursuant to the *Order Appointing Temporary Receiver and Granting Preliminary Injunction* (Doc. 26, "Appointment Order") filed on November 14, 2018, and hereby files his Initial Report pursuant the Appointment Order, respectfully showing the Court as follows:

**I. INTRODUCTION**

On November 14, 2018, the Court entered the Appointment Order which appointed John F. Kennedy, Esq. as the receiver (the "Receiver")<sup>1</sup> for Education Corporation of America, Virginia College, LLC ("VC"), and New England College of Business and Finance, LLC ("NECB," together with Education Corporation of America and VC, "ECA"), with respect to all the business, business interests, and property of ECA (the "Receivership Property"). The Appointment Order authorized the Receiver to: take immediate possession of the Receivership Property and to have the full power to exercise the usual and customary powers afforded to a receiver; operate ECA's business with a primary focus on financing of the business and other restructuring or sale transactions, custody, and control of all assets of ECA; engage and

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<sup>1</sup> Receiver may refer to Mr. Kennedy or a member of his Receivership team.

employee persons to assist him in fulfilling his duties; acquire and retain all rights to operate and maintain ECA; to assert any rights, claims, or causes of action on behalf of ECA; pay from ECA's assets any costs incurred from instituting or defending any action; have all the powers of the directors, officers, and managers of ECA; use, sell, or lease the Receivership Property; obtain credit and other financial accommodations for the benefit of the Receivership Property; enforce, disavow, reject, impair, or terminate any contract, agreement, or lease; and, take any further action as the Court deemed equitable. Doc. 26, pp. 4-7.

The Appointment Order also granted the Receiver immediate access to ECA's financials and business premises. The Appointment Order required the Receiver to report to this Court and the parties information regarding and describing the Receivership Property within sixty (60) days after the entry of the Appointment Order. Doc. 26, p. 7. The Receiver has prepared and filed this Initial Report within the first thirty (30) days of the Receiver's appointment due to the recent significant hardships facing ECA and the Receiver's decision to implement the necessary wind-down.

## **II. DISCUSSION**

### **1. The November 14, 2018 Hearing**

During the hearing on November 14, 2018 (the "Appointment Hearing"), certain representations were made before the Court. First, counsel for ECA informed the Court that ECA was seeking additional funding from ECA's investors. With the anticipated additional funding from the investors, along with the ordinary course of Title IV funds from the Department of Education ("DOE"), ECA would continue to operate, through the Receiver, by implementing the restructuring plan ("Restructuring Plan"). This Restructuring Plan contemplated allowing a predetermined twenty-six (26) campuses (the "Teach-Out Campuses") to achieve a teach-out

then close, while allowing forty-five (45) campuses (the “Go-Forward Campuses”) to continue to operate in their ordinary course. During the Restructuring Plan, potential buyers were to be actively and intentionally pursued to purchase ECA. Once a potential buyer was approved and the funds from that sale were held by the Receiver in the Receivership Property, a claims process would be employed to allow all secured and unsecured creditors to make claims on the Receivership Property. The Receiver affirmed to the Court that he had been made aware of ECA’s Restructuring Plan, with the ending goal being the sale of ECA (or its assets or substantially all of its assets), and the feasibility of the plan. Furthermore, as the Receiver stated during the Appointment Hearing, having an investor with the ability and willingness to infuse additional funds into ECA distinguished ECA and the appointment of a receiver in this case from any other receivership the Receiver had been appointed to.

During the execution of the Restructuring Plan, the Appointment Order enjoined all landlords from exercising certain rights against ECA and the Receivership Property. Specifically, landlords and “all other interested persons [were] enjoined from interfering with [. . .] property of the Receivership Estate [. . . .]” Appointment Order, Doc. 26, p. 9. The Court, however, ordered the Receiver during the Appointment Hearing to pay the landlords’ monthly rent as long as the Receiver allowed ECA to remain in the landlords’ properties. The Receiver affirmed to the Court that stub rent from the date of the Receiver’s appointment would be paid for the month of November, and that moving forward, it was the intent that monthly rents would be paid to the extent the ECA remained in the landlords’ properties.<sup>2</sup>

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<sup>2</sup> In Plaintiff’s Objection to the Receiver’s Motion for Attorney’s Fees (Doc. 54), Plaintiff contends that the Receiver misled the Court in stating that the Receiver would pay full rent for the month of November, yet only paid stub rent. The Receiver did not, and never intended to, mislead the Court regarding the partial payment of rent for the month of November. Rent was paid for the month of November for the time period covering the date of the Receiver’s appointment, November 14, 2018, through the end of the month. The Appointment Order authorized the Receiver to pay expenses incurred after the appointment of the Receiver, and allowed the Receiver to pay obligations incurred

## 2. The Receiver's Initial Due Diligence

Following the Receiver's appointment, the Receiver commenced his due diligence regarding the financial status of ECA. A day after the Appointment Hearing, November 15, 2018, the Receiver, along with representatives from ECA, met with representatives from One Beacon. One Beacon is an issuer of surety bonds that had recently rescinded ECA's bonds due to ECA's financial condition. These bonds are required by some state licensing agencies as a condition of approval. The bonds are intended to protect students and states' interest in the event a school cannot fulfill its commitments to its students. Through the Receiver's negotiations, One Beacon agreed to reinstate a portion of ECA's bonds in return for partial collateral. One Beacon also agreed to meet with the Receiver on a monthly basis to further discuss and negotiate additional collateral for the reinstatement of additional surety bonds.

On November 20, 2018, the Receiver traveled to Birmingham, Alabama to visit with the ECA leadership team at the ECA headquarters. During the time in Birmingham, the Receiver met with department heads to attain a better understanding for the procedures and systems already in place, specifically the accounting, financial aid, and legal departments. The Receiver also had an introductory and substantive telephone conference with the president and chief executive officer of ECA, Mr. Stuart Reed.

Procedures and systems were established for the approval of disbursements. The Receiver met with ECA's chief financial officer, Mr. Mike Ranchino, and other ECA financial representatives to set forth the guidelines for which disbursements above a certain individual or aggregate amount, or those extraordinary to the normal course of business, were to be first approved by the Receiver. Those requested disbursements generally included categories such

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*prior* to the appointment of the Receiver that were determined to be "prudent in order to preserve the value of [the] Receivership Property [ . . . ]"

as: rent, accounts payables, payroll, stipends, regulated disbursements, and vendors. Attached as Exhibit A is the true and accurate summary of the requested disbursements that were approved by the Receiver.

The Receiver also implemented avenues of communication with the vendors and landlords. On or about November 20, 2018, a letter was sent to vendors to place the vendors on notice of the Appointment Order and the accompanying preliminary injunction. The letter also informed the vendors of the Receiver's intent to continue to operate ECA during the pendency of the receivership, and that in the future, a claims process would be implemented for the purpose of addressing any claims a vendor may have against ECA. Additionally, the Receiver attempted to communicate with the landlords that initially reached out to the Receiver regarding the implications of the Appointment Order to the landlords' respective properties.

The Receiver also worked directly with ECA leadership regarding the continued efforts to solicit a buyer for ECA, a major component of the Restructuring Plan. The Receiver joined weekly calls with Parchman, Vaughan, & Company, L.L.C. ("Parchman Vaughan"), the private investment banker hired to lead the sale of the Receivership Property. These weekly calls provided updates regarding the market for the sale of the Receivership Property, and provided the status of the preliminary conversations regarding any possible bids for the Receivership Property.

### 3. Unintended Hardships

As noted above, there were two key aspects for the success of the Restructuring Plan: additional funding from the investor, and the continued ordinary course of the federal Title IV funding from DOE. Unfortunately, both aspects of funding were not received as anticipated to allow the Restructuring Plan an opportunity to succeed. Following a roller-coaster like series



of events, and despite the tremendous efforts of the Receiver and the Receiver's professionals, the Receiver was left with no decision but to implement the necessary wind-down and direct abrupt closing of the ECA campuses.

On November 8, 2018, the DOE placed ECA's institutions on Heightened Cash Monitoring 2 ("HCM2"). ECA and its institutions were previously on Heightened Cash Monitoring 1 ("HCM1"), which allowed ECA to draw its obligated Title IV funds on a weekly basis. On HCM2, however, ECA would only be allowed to request Title IV funds on a monthly basis, with DOE disbursing the funds only after its review and approval of numerous documents ECA would be required to submit to the DOE. While ECA was placed on HCM2 days before the appointment of the Receiver, the full ramifications of the restricted flow of federal funds was not fully known or appreciated until after the appointment of the Receiver.

The Receiver, along with ECA leadership, promptly began to appeal the DOE's implementation of HCM2. Mr. Roger Swartzwelder, general counsel for ECA, sent several notes and objections to the DOE, articulating reasons why HCM2 was not appropriate for ECA. These objections and requests for reconsideration were all denied, with little analysis and reasoning provided for the denials. Furthermore, the Receiver requested to have direct communication with DOE regarding its decision to place ECA on HCM2. In an email dated Wednesday, November 21, 2018, the Receiver specifically requested a meeting with the DOE representatives to discuss the implications of HCM2 on ECA and any possible avenues to have HCM2 rescinded or modified. The Receiver, at least initially, did not receive any communication from the DOE regarding their willingness to meet, or communicate at all, with the Receiver.

The DOE's actions of placing ECA's institutions on HCM2 had additional direct ramifications on the success of the Restructuring Plan. According to the investors, ECA's placement on HCM2 was a substantial change in conditions that, again according the investors, caused investors' offer for the additional funding to ECA to be reconsidered and rescinded. The Receiver negotiated and communicated with the investors, on a daily basis, to ensure that the investors appreciated the fact that without the additional funding, the Restructuring Plan would not be given an opportunity to succeed. Likewise, the Receiver was abundantly clear with the investors that without the originally promised additional funding being received in a timely manner, ECA would face a necessary wind-down. Through the continued discussions and negotiations with the investors, it became clear to the Receiver that additional funding would not be given while ECA remained on HCM2.

Based on this information, the Receiver and ECA leadership again turned their efforts to the DOE. As the DOE continued to refuse to communicate with the Receiver, the Receiver sought additional remedies to open channels of communication with the DOE. These channels included use of elected officials and current ECA board members directly advocating on ECA's behalf before the DOE. Through these efforts, a line of communication was established between the DOE and the Receiver.

The DOE granted the Receiver an opportunity to discuss ECA and HCM2 in person in Washington, D.C. On November 30, 2018, the Receiver and Mr. Ranchino traveled to Washington for a series of meetings with DOE representatives. During these meetings, the Receiver and Mr. Ranchino communicated ECA's financial status and the Receiver's intent to implement the Restructuring Plan. It was communicated that the success of the Restructuring Plan would provide ECA's thousands of students an opportunity to continue their education

while a structured teach-out process was implemented, instead of an abrupt closure of their campuses. The Receiver requested that ECA be removed from HCM2, or in the alternative, that there be a modified version of HCM2 implemented. With at least a minimum of a modified version of HCM2, this would allow the timely flow of federal funds to ECA, and to allow the Receiver to obtain the additional funding from the investor. Furthermore, the Receiver specifically informed the DOE that without the timely flow of federal funds from the DOE, and the additional funding from the investor, the Receiver would have no choice but to implement the necessary wind-down of ECA, without providing a full proper teach-out, at the beginning of the following week. The DOE made no representations regarding the Receiver's request, or when a decision would be made regarding the Receiver's request.

Within the next forty-eight hours of the Receiver's trip to Washington, the DOE requested certain financial documents and student records. The Receiver directed ECA to work with and to provide the DOE with any documents that was requested. To the best of the Receiver's knowledge, all requested documents have been provided to the DOE.

On Monday, December 3, 2018, it became increasingly clear to the Receiver that the DOE would not provide relief from HCM2, and that the investors would not provide the additional funding. Although there remained the *possibility* of additional funding to implement the Restructuring Plan, ECA professionals provided cash-flow projections that demonstrate that the decision to implement a necessary wind-down must be made the morning of Wednesday, December 5, 2018. In preparation for the likelihood that the necessary wind-down would commence, the Receiver and ECA leadership began to discuss the practical plans to implement the wind-down. The discussions included the communications to campus



presidents, employees, and students; providing instructions for students to receive transcripts; and the actual closure of the schools.

On Tuesday, December 4, 2018, less than twenty-four hours from the commencement of the wind-down process, several events added to the roller-coaster like series of events. First, a potential investor approached the Receiver with an offer to infuse a substantial amount of capital to ECA for implementation of the Restructuring Plan. This offer, however, was simply a preliminary offer, and the potential investor requested that the Receiver delay commencing the necessary wind-down by forty-eight hours in order for the potential investor to conduct due diligence. A significant aspect of the potential investor's due diligence included communicating with DOE and gaining DOE's approval, a task that the Receiver was fully aware would not be achieved quickly. As the cash forecast clearly did not allow for a forty-eight hour delay from commencement of the wind-down, the requested delay was not a viable and prudent option for the Receiver. In the Receiver's efforts, however, to attempt to gain the additional funding, the Receiver offered the potential investor the opportunity to purchase the requested forty-eight hours at a rate to cover ECA's expenses for delaying the wind-down. The Receiver reiterated to the potential investor that this was the only way to delay the wind-down from being commenced on the morning of Wednesday, December 5, 2018. The potential investor was not willing to purchase the additional time in response to the Receiver's terms.

Second, the original investor still remained unwilling to commit to the original offer for additional funding. Although being informed throughout the previous week that a decision regarding the necessary was looming, the investor requested additional time for the *possibility* to secure additional funding. The Receiver made this investor the same offer as was made to the new potential investor: that if the wind-down was going to be delayed for a period of time,

such an extension would have to be purchased. The investor would not commit to purchasing the extension, but requested until the morning of Wednesday, December 5, 2018, to make the ultimate decision regarding the extension.

The third major event that occurred on Tuesday, December 4, 2018, was the decision by the Accrediting Council for Independent Colleges and Schools (“ACICS”). ACICS is the accrediting body for all of ECA’s institutions, other than NECB. ACICS had recently issued a show-cause order for ECA regarding the status of ECA’s accreditation and had scheduled a hearing for Wednesday, December 5, 2018. Upon knowledge that ECA was seriously considering a wind-down due to ECA’s financial status, ACICS withdrew ECA’s accreditation effective December 19, 2018, which date ACISC later extended to December 21, 2018. The hearing was still held on Wednesday, December 5, but ACICS’s decision to withdraw the accreditation stood.

Upon hearing of ACICS’s decision to revoke ECA’s accreditation, the original investor informed the Receiver, in writing, that he was no longer considering purchasing an extension to delay the wind-down. Additionally, the investor was not interested in providing the originally discussed additional funding and informed the Receiver that he agreed a wind-down was appropriate at this time. Having no other options or alternatives, and having exhausted all reasonably possible leads for additional funding, the Receiver directed that the necessary wind-down commence on the morning of Wednesday, December 5, 2018.

#### 4. The Wind-Down Process

Without offering insight as to whether ECA would receive relief from HCM2, the DOE requested that the wind-down should attempt to achieve the softest landing for the most students possible. Pursuant to this request, the Receiver made accommodations to the

necessary wind-down plans to allow an expedited teach-out, followed by a domino-closing schedule of the campuses. According to this schedule, those campuses that did not have any academic modules being completed, or graduations be completed, within approximately two weeks of the start date of the wind-down, would be closed on December 7, 2018. All other campuses would remain open until the date the modules or graduations at the respective campuses were completed, after which those campuses would also close. Based on this plan, the anticipated date for closure of all campuses was December 21, 2018. Although this planned closing schedule would abruptly close nearly all of ECA's campuses, this was the softest landing, and likely only landing, reasonably possible at this point.

In order to execute this expedited teach-out and domino-closing schedule, additional funding was needed. The Receiver first communicated with the original investor to secure a smaller amount of additional funding to provide for this closing schedule. The investor was willing to work towards a funding deal to help the students, but the investor was unable to fully commit to the funds. Through daily, and at times hourly, negotiations with the investor, the Receiver was able to reach an agreement to secure funding in order to fully implement the expedited teach-out and domino-closing schedule. At the time of the filing of this Receiver's Initial Report, the Motion to Approve Additional Funding, with an attached proposed order, had been filed and is before the Court.

The Receiver also sought to secure necessary additional funding from the DOE. As the above-mentioned expedited teach-out process was DOE's request, and because ECA was entitled to federal funds for those students that remained enrolled in class for an additional two weeks, the Receiver requested additional federal funding. The DOE appeared to entertain the idea of providing additional federal funding solely for the purpose of the teach-out and wind-

down process. The DOE again requested numerous documents from ECA to review before approval of the funds could be considered. Additionally, a full and complete audit of the supporting documents was also ordered by the DOE as a condition of the federal funds being released. To date, the Receiver has not received a full commitment from the DOE to help fund the teach-out. The DOE has commented that if funds are made available to the Receiver to fund the teach-out, those funds would not likely be available until January.

The wind-down process began Wednesday, December 5, 2018. Based on the domino-closing schedule, approximately three thousand two hundred (3,200) employees were terminated and thirty eight (38) campuses were closed on December 7, 2018. Skeleton crews remained behind to scan and destroy sensitive documents on those campuses that were immediately closed. The campuses that remained open as part of the expedited teach-out process only retained the faculty required to complete the modules and for graduation. All other staff was also terminated. The corporate office was also vastly reduced, leaving only a select few on staff to implement the wind-down to the end.

Due to the abrupt wind-down of the campuses, the response, as was expected, has been shock. Unfortunately, that feeling of shock has led to vandalism and theft at some of the campuses. The Receiver has directed ECA officials at the affected campuses to report all disturbances with the police, and to file police reports where necessary. At some campuses, additional security has been provided as applicable.

The decision to implement the necessary wind-down process was an extremely difficult decision to make. The Receiver delayed making the decision until the last possible moment to allow additional funding to be secured, from numerous different sources. Unfortunately, the promises of funding never amounted to anything, and the decision to implement the wind-

down had to be made. The consequences from the lack of funding from the investor and the DOE resulted in approximately eighteen thousand students' (18,000) education abruptly ending, and more than three thousand (3,000) employees being unemployed.

#### 5. Moving Forward

As the wind-down process proceeds, the Receiver has begun to implement several additional actions. On December 6, 2018, the Receiver sent a letter to all landlords and landlords' counsel to provide an update regarding the operations of ECA. The letter represented the unforeseen hardships discussed above, and how those had directly impacted implementing the Restructuring Plan. In compliance with the Court's desires, the Receiver informed the landlords that following the wind-down, all properties occupied by ECA would be vacated in an orderly and timely manner, and turned over to the property owners/landlords. The Receiver attached to the letter an exhibit that set forth the timeline for all of the currently occupied properties to be returned to the landlords. Attached as Exhibit B and Exhibit C is the letter sent from the Receiver on December 6, 2018, and the schedule for the Receiver to return the properties to the landlords respectively.

The Receiver will support the continued operations of NECB. The Receiver has had direct communications with the DOE to allow NECB to be carved out and allowed to continue to operate pending a future sale. NECB remains accredited by its regional accrediting agency, separate from ACICS. Furthermore, ECA professionals have represented to the Receiver that a sale of NECB would attract substantial attention, with a possible bid ranging between ten to twenty-seven million dollars. Any sale of NECB would add great value to the Receivership Estate. For the Court's benefit, attached as Exhibit D is ECA's twelve-week cash flow forecast



to illustrate the continued funding to NECB, as well as the other ordinary wind-down expenses, as NECB is moved forward through the sale process.

Furthermore, the Receiver is preparing to form a claims process to address the creditors concerns and will address those accordingly. The Receiver anticipates filing a motion to approve a claims procedure whereby creditors may file proofs of claims with the Receiver by certain deadlines to evidence their claims against Defendants in order to participate in the distribution of assets from the Receivership Estate, if any, according to their priority. To facilitate this process, the Receiver expects to solicit bids from and employ a third-party claims processing agent (the “Claims Agent”) which will send a Court-approved notice to file claims (the “Notice to File Claims”) and accompanying proof of claim form to all known creditors of Defendants. The Claims Agent will assist the Receiver with receiving, processing, and administering all proofs of claims filed by creditors. The Receiver will review and determine the treatment of these claims for distribution.

### **III. RECOMMENDATION**

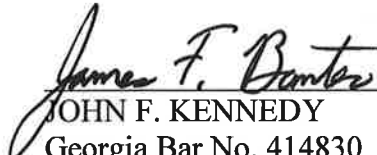
It is the Receiver’s recommendation that ECA remain in federal receivership. As noted above, the Receiver has already informed the landlords of his intent to return the properties occupied by ECA back to the landlords’ possession. Additionally, the sale of NECB, which would be a great benefit to the receivership estate and all creditors, would not be possible through bankruptcy. The Higher Education Act defines an institution of higher education as one that has not filed for bankruptcy. 20 U.S.C. § 1002(a)(4). Placing ECA in bankruptcy would be a great disadvantage not only to the students and ECA, but to the creditors as well.

Additionally, as discussed above, the Receiver is preparing to move forward with establishing a claims process. The claims process would allow creditors to file proofs of claims

against ECA, for those claims to be reviewed, and approved if applicable. Once the claims process is closed, those approved claims would be paid according to the remaining funds in the Receivership Property.

For these reasons, the Receiver recommends that the best course of action would be to allow ECA to remain in receivership.

Respectfully submitted this 12<sup>th</sup> day of December, 2018.

  
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JOHN F. KENNEDY  
Georgia Bar No. 414830  
JAMES F. BANTER  
Georgia Bar No. 581797  
Counsel to John F. Kennedy, Receiver

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**CERTIFICATE OF SERVICE**

The undersigned certifies that on December 12, 2018, a true and exact copy of the foregoing document has been served on the counsel to the parties by way of filing on CM/ECF.

This 12<sup>th</sup> day of December, 2018.

  
JAMES F. BANTER

Georgia Bar No. 581797

Counsel to John F. Kennedy, Receiver

JAMES-BATES-BRANNAN-GROOVER-LLP

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P. O. Box 4283

Macon, Georgia 31208-4283

[jbaxter@jamesbatesllp.com](mailto:jbaxter@jamesbatesllp.com)

**Education Corporation of America**  
**Requested Disbursements Authorization**

<b><u>Total Payments</u></b>	<b><u>Paid</u></b>		
Payables	\$ 5,263,254	FACILITIES - RENT	\$ 1,842,242
		BENEFITS - PREMIUMS	\$ 1,172,733
Bond Collateral	\$ 1,500,000	MARKETING - LEADS	\$ 679,423
		P Card	\$ 213,517
Student Stipends	\$ 863,079	Insurance	\$ 183,994
		UTILITIES	\$ 176,455
Payroll	\$ 14,194,269	TAXES / LICENSES	\$ 150,162
		MARKETING	\$ 150,000
		Other	\$ 694,728
<b><u>Total Authorized Payments</u></b>	<b><u>\$ 21,820,602</u></b>	Total	<b><u>\$ 5,263,254</u></b>



JOHN F. KENNEDY



JKENNEDY@JAMESBATESLLP.COM  
DIRECT DIAL: 478-749-9981

December 6, 2018

**VIA EMAIL AND FIRST CLASS MAIL**

**Re: *VC Macon GA, LLC v. Virginia College, LLC and Education Corporation of America (the "Lawsuit"), Case No. 5:18-cv-00388-TES, United States District Court for the Middle District of Georgia, Macon Division (the "Court")***

To whom it may concern:

As you are or should be aware, the undersigned John F. Kennedy, Esq. was appointed in the above referenced action as the Court Appointed Receiver (the "**Receiver**"), of Education Corporation of America, Virginia College, LLC, and New England College of Business and Finance, LLC ("**NECB**") (collectively "**ECA**") pursuant to the *Order Appointing Receiver and Preliminary Injunction* entered by the Court in the Lawsuit on November 14, 2018.

It was the intent of the Receiver to continue operations of the ECA campuses in a calculated wind down of the business which would maximize benefits to the enrolled students and the Receivership Estate and minimize the costs and risks to the creditors, landlords and others of the Receivership Estate. However, as you may have heard, a material change of circumstances have necessitated the controlled closing of the bulk of ECA's operations during the pendency of the receivership. Among many unfortunate events, the Department of Education ("**DOE**") placed ECA's institutions on Heightened Cash Monitoring 2 ("**HCM2**") status which exacerbated ECA's cash flow problems beyond what was originally anticipated. Despite diligent efforts and communications and in person meetings with decision makers in Washington requesting that the DOE provide relief, ECA remains on HCM2 status. Additionally, ECA expected several infusions of capital from external sources; however, due in part to ECA's HCM2 status and the recent loss of accreditation, those sources of funding failed. These circumstances along with several others have resulted in the ultimate decision to cease operations of ECA, except operations of NECB.

Accordingly, the Receiver intends and the Court desires to ensure that properties occupied by ECA will be vacated in an orderly and timely manner as set forth by Exhibit "A" attached to this correspondence, and control of said properties will be turned over to the property owners/Landlords. However, the schedule set forth by Exhibit "A" is subject to change in the circumstance that any external entity (purchaser or acquiring entity) is able to assume control of some or all of ECA operations and assume and satisfy past due liabilities to owners/landlords. Any determination on the sale of ECA assets to an external entity and consequent request for continued operation at any particular location will be made no later than December 22, 2018.

MACON  
231 RIVERSIDE DRIVE ■ MACON, GEORGIA 31201  
TEL 478.742.4280 ■ FAX 478.742.8720



ATLANTA  
CHTREE ROAD, NE SUITE 1700 ■ ATLANTA, GEORGIA 30326  
TEL 404.997.6020 ■ FAX 404.997.6021



ECA will continue to occupy properties leased for the purpose of operating NECB because it is operating separately and capable of being sold for value to the Receivership Estate.

If you have any questions, please do not hesitate to contact Chris Conley in our office by calling the following number of (478) 749-9908.

Sincerely,

A handwritten signature in black ink, appearing to read "John F. Kennedy, Receiver". The signature is stylized and cursive.

John F. Kennedy, Esq.  
Receiver

CampusName	CampusNameFull	CampusStreet	CampusCity	CampusState	Abbrev	CampusZip	Time Zone	Campus	Last Day Teaching	Campus Evac Date	Campus Population End of November
BW - Arlington	Brightwood College - Arlington	2241 South Watson Road, Suite 181	Arlington	TX		76010	CST	Arlington	12/7/2018	12/13/2018	84
BW - Bakersfield	Brightwood College - Bakersfield	1914 Wible Road	Bakersfield	CA		93304	PST	Bakersfield	12/7/2018	12/13/2018	93
BW - Baltimore	Brightwood College - Baltimore	1520 South Caton Avenue	Baltimore	MD		21227	EST	Baltimore	12/7/2018	12/13/2018	363
BW - Beaumont	Brightwood College - Beaumont	6115 Eastex Freeway	Beaumont	TX		77706	CST	Beaumont	12/7/2018	12/13/2018	96
BW - Beltsville	Brightwood College - Beltsville	4600 Powder Mill Road	Beltsville	MD		20705	EST	Beltsville	12/7/2018	12/13/2018	526
BW - Broomall	Brightwood Career Institute - Broomall	1991 Sproul Road, Suite 42	Broomall	PA		19008	EST	Broomall	12/7/2018	12/13/2018	318
BW - Brownsville	Brightwood College - Brownsville	1900 North Expressway, Suite O	Brownsville	TX		78521	CST	Brownsville	12/7/2018	12/13/2018	242
BW - Charlotte	Brightwood College - Charlotte	6070 East Independence Boulevard	Charlotte	NC		28212	EST	Charlotte	12/7/2018	12/13/2018	306
BW - Chula Vista	Brightwood College - Chula Vista	555 Broadway, Suite 144	Chula Vista	CA		91910	PST	Chula Vista	12/7/2018	12/13/2018	247
BW - Corpus Christi	Brightwood College - Corpus Christi	1620 South Padre Island Drive, Suite 600	Corpus Christi	TX		78416	CST	Corpus Chr	12/7/2018	12/13/2018	346
BW - Dallas	Brightwood College - Dallas	12005 Ford Road, Suite 100	Dallas	TX		75234	CST	Dallas	12/7/2018	12/13/2018	357
BW - Dayton	Brightwood College - Dayton	2800 East River Road	Dayton	OH		45439	EST	Dayton	12/7/2018	12/13/2018	91
BW - El Paso	Brightwood College - El Paso	8360 Burnham Road, Suite 100	El Paso	TX		79907	MST	El Paso	12/7/2018	12/13/2018	257
BW - Fort Worth	Brightwood College - Fort Worth	2001 Beach Street, Suite 201	Fort Worth	TX		76103	CST	Fort Worth	12/7/2018	12/13/2018	263
BW - Fresno	Brightwood College - Fresno	44 Shaw Avenue, Rodeo Plaza Shopping Center	Clovis	CA		93612	PST	Fresno	12/7/2018	12/13/2018	111
BW - Friendswood	Brightwood College - Friendswood	3208 FM-528	Friendswood	TX		77546	CST	Friendswo	12/7/2018	12/13/2018	177
BW - Hammond	Brightwood College - Hammond	7833 Indianapolis Boulevard	Hammond	IN		46324	CST	Hammond	12/7/2018	12/13/2018	278
BW - Harrisburg	Brightwood Career Institute - Harrisburg	5650 Derry Street	Harrisburg	PA		17111	EST	Harrisburg	12/7/2018	12/13/2018	141
BW - Houston	Brightwood College - Houston	711 East Airtex Drive	Houston	TX		77073	CST	Houston	12/22/2018	12/22/2018	393
BW - Indianapolis	Brightwood College - Indianapolis	4200 South East Street	Indianapolis	IN		46227	EST	Indianapol	12/7/2018	12/13/2018	435
BW - Ingram	Brightwood College - Ingram	6441 NW Loop 410	San Antonio	TX		78238	CST	Ingram	12/19/2018	12/20/2018	341
BW - Laredo	Brightwood College - Laredo	6410 McPherson Road	Laredo	TX		78041	CST	Laredo	12/7/2018	12/13/2018	181
BW - Las Vegas	Brightwood College - Las Vegas	3535 West Sahara Avenue	Las Vegas	NV		89102	PST	Las Vegas	12/7/2018	12/13/2018	487
BW - Los Angeles	Brightwood College - Los Angeles (Van Nuys)	15400 Sherman Way, Suite 101	Van Nuys	CA		91406	PST	Van Nyes	12/21/2018	12/22/2018	572
BW - McAllen	Brightwood College - McAllen	1500 South Jackson Road	McAllen	TX		78503	CST	McAllen	12/7/2018	12/13/2018	283
BW - Modesto	Brightwood College - Modesto	5172 Kiernan Court	Salida	CA		95368	PST	Modesto	12/7/2018	12/13/2018	312
BW - Nashville	Brightwood College - Nashville	750 Envious Lane	Nashville	TN		37217	CST	Nashville	12/7/2018	12/13/2018	277
BW - Palm Springs	Brightwood College - Palm Springs	2475 East Tahquitz Canyon Way	Palm Springs	CA		92262	PST	Palm Sprin	12/7/2018	12/13/2018	160
BW - Philadelphia	Brightwood Career Institute - Philadelphia	3010 Market Street	Philadelphia	PA		19104	EST	Philadelph	12/7/2018	12/13/2018	359
BW - Philadelphia Mills	Brightwood Career Institute - Philadelphia Mills	177 Franklin Mills Boulevard	Philadelphia	PA		19154	EST	Philadelph	12/7/2018	12/13/2018	518
BW - Pittsburgh	Brightwood Career Institute - Pittsburgh	933 Penn Avenue	Pittsburgh	PA		15222	EST	Pittsburgh	12/7/2018	12/13/2018	116
BW - Riverside	Brightwood College - Riverside	4040 Vine Street	Riverside	CA		92507	PST	Riverside	12/13/2018	12/15/2018	312
BW - Sacramento	Brightwood College - Sacramento	4330 Watt Ave, Suite 400	Sacramento	CA		95821	PST	Sacramento	12/7/2018	12/13/2018	191
BW - San Diego	Brightwood College - San Diego	9055 Balboa Avenue	San Diego	CA		92123	PST	San Diego	12/20/2018	12/21/2018	764
BW - San Pedro	Brightwood College - San Pedro	7142 San Pedro Avenue, Suite 100	San Antonio	TX		78216	CST	San Pedro	12/7/2018	12/13/2018	331
BW - Towson	Brightwood College - Towson	803 Glen Eagles Court	Towson	MD		21286	EST	Towson	12/7/2018	12/13/2018	184
BW - Vista	Brightwood College - Vista	2022 University Drive	Vista	CA		92083	PST	Vista	12/7/2018	12/13/2018	414
ECO - Denver	Ecotech Institute	1400 South Abilene Street	Aurora	CO		80012	MST	Eco - Denvi	12/7/2018	12/13/2018	178
GAA - Dallas	Golf Academy of America in Dallas	1861 Valley View Lane, Suite 100	Farmers Branch	TX		75234	CST	GAA - Dall	12/14/2018	12/18/2018	72
GAA - Myrtle Beach	Golf Academy of America in Myrtle Beach	1900 Mr. Joe White Avenue	Myrtle Beach	SC		29577	EST	GAA - Myrl	12/14/2018	12/18/2018	109
GAA - Orlando	Golf Academy of America in Orlando	510 South Hunt Club Blvd.	Apopka	FL		32703	EST	GAA - Orlai	12/14/2018	12/18/2018	82
GAA - Phoenix	Golf Academy of America in Phoenix	2031 N. Arizona Ave., Ste. 2	Chandler	AZ		85225	MST	GAA - Phoe	12/14/2018	12/18/2018	51
GAA - San Diego	Golf Academy of America in San Diego	1950 Camino Vida Roble	Carlsbad	CA		92008	PST	GAA - San i	12/14/2018	12/18/2018	85
VC - Augusta	Virginia College in Augusta	2807 Wylde Road	Augusta	GA		30909	EST	Augusta	12/18/2018	12/19/2018	423
VC - Austin	Virginia College in Austin	14200 N. Interstate Hwy. 35	Austin	TX		78728	CST	Austin	12/18/2018	12/19/2018	161
VC - Baton Rouge	Virginia College in Baton Rouge	9501 Cortana Place	Baton Rouge	LA		70815	CST	Baton Rogi	12/18/2018	12/19/2018	181
VC - Biloxi	Virginia College in Biloxi	920 Cedar Lake Road	Biloxi	MS		39532	CST	Biloxi	12/7/2018	12/13/2018	134
VC - Birmingham	Virginia College in Birmingham	488 Palisades Blvd.	Birmingham	AL		35209	CST	Birmingham	12/18/2018	12/19/2018	450
VC - Charleston	Virginia College in Charleston	6185 Rivers Avenue	North Charleston	SC		29406	EST	Charleston	12/12/2018	12/14/2018	221
VC - Chattanooga	Virginia College in Chattanooga	721 Eastgate Loop Road	Chattanooga	TN		37411	EST	Chattanooi	12/18/2018	12/19/2018	103
VC - Columbia	Virginia College in Columbia	7201 Two Notch Road	Columbia	SC		29223	EST	Columbia	12/18/2018	12/19/2018	130



VC - Columbus	Virginia College in Columbus	5601 Veterans Parkway	Columbus	GA	31904 EST	Columbus	12/18/2018	12/19/2018	159
VC - Florence	Virginia College in Florence	2400 David H. McLeod Blvd.	Florence	SC	29501 EST	Florence	12/18/2018	12/19/2018	212
VC - Ft. Pierce	Virginia College in Fort Pierce	2810 S. Federal Hwy.	Fort Pierce	FL	34982 EST	Ft Pierce	12/18/2018	12/19/2018	78
VC - Greensboro	Virginia College in Greensboro	3740 S. Holden Rd.	Greensboro	NC	27406 EST	Greensboro	12/18/2018	12/19/2018	356
VC - Greenville	Virginia College in Greenville	78 Global Drive	Greenville	SC	29607 EST	Greenville	12/18/2018	12/19/2018	294
VC - Huntsville	Virginia College in Huntsville	2021 Drake Avenue SW	Huntsville	AL	35801 CST	Huntsville	12/18/2018	12/19/2018	147
VC - Jackson	Virginia College in Jackson	5841 Ridgewood Road	Jackson	MS	39211 CST	Jackson	12/18/2018	12/19/2018	171
VC - Jacksonville	Virginia College in Jacksonville	5940 Beach Boulevard	Jacksonville	FL	32207 EST	Jacksonville	12/18/2018	12/19/2018	518
VC - Knoxville	Virginia College in Knoxville	5003 N. Broadway Street	Knoxville	TN	37918 EST	Knoxville	12/7/2018	12/13/2018	262
VC - Lubbock	Virginia College in Lubbock	5005 50th Street	Lubbock	TX	79414 CST	Lubbock	12/7/2018	12/13/2018	380
VC - Macon	Virginia College in Macon	1901 Paul Walsh Drive	Macon	GA	31206 EST	Macon	12/18/2018	12/19/2018	118
VC - Mobile	Virginia College in Mobile	3725 Airport Blvd., Suite 165	Mobile	AL	36608 CST	Mobile	12/7/2018	12/13/2018	267
VC - Mobile Extension	VC - Mobile Extension	3725 Airport Blvd., Suite 165	Mobile	AL	36606 CST	Mobile	12/18/2018	12/19/2018	--
VC - Montgomery	Virginia College in Montgomery	6200 Atlanta Highway	Montgomery	AL	36117 CST	Montgomery	12/18/2018	12/19/2018	166
VC - Pensacola	Virginia College in Pensacola	312 E. Nine Mile Road, Ste. 34	Pensacola	FL	32514 CST	Pensacola	12/18/2018	12/19/2018	125
VC - Richmond	Virginia College in Richmond	7200 Midlothian Turnpike	Richmond	VA	23225 EST	Richmond	12/18/2018	12/19/2018	391
VC - Savannah	Virginia College in Savannah	14045 Abercorn St., Ste. 1532	Savannah	GA	31419 EST	Savannah	12/18/2018	12/19/2018	355
VC - Shreveport	Virginia College in Shreveport/Bossier City	2950 E. Texas St., Ste. C	Bossier City	LA	71111 CST	Shreveport	12/7/2018	12/13/2018	162
VC - Spartanburg	Virginia College in Spartanburg	8150 Warren H. Abernathy Hwy.	Spartanburg	SC	29301 EST	Spartanburg	12/7/2018	12/13/2018	102
VC - Tulsa	Virginia College in Tulsa	5124 S. Peoria Avenue	Tulsa	OK	74105 CST				--

<b>ECA</b>													
<b>12-Week Cash Forecast</b>													
<b>(\$ in 000's)</b>													
<b>Week #</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>10</b>	<b>11</b>	<b>12</b>	
<b>Week Ending</b>	<b>12/14</b>	<b>12/21</b>	<b>12/28</b>	<b>1/4</b>	<b>1/11</b>	<b>1/18</b>	<b>1/25</b>	<b>2/1</b>	<b>2/8</b>	<b>2/15</b>	<b>2/22</b>	<b>3/1</b>	<b>Total</b>
<b>RECEIPTS</b>													
Title IV	\$ -	\$ -	\$ -	\$ -	\$ 2,000	\$ -	\$ -	\$ -	\$ -				\$ 2,000
Other/Ins	700	-	-	-	-	-	-	-	-	-	-	-	\$ 700
<b>TOTAL RECEIPTS</b>	<b>700</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,700</b>
<b>DISBURSEMENTS</b>													
Payroll	(4,600)	(1,230)	(467)	-	-	-	-	-					\$ (6,297)
Vacation	(2,413)		(600)			-	-	-					\$ (3,013)
Utilities	(50)	-	-	-	-	-	-	-					\$ (50)
Healthcare Benefits	(320)	(200)	(150)	(128)	(102)	(77)	(57)	(43)	(32)	(24)	(18)	(344)	\$ (1,495)
Total Operating Expenses	(7,383)	(1,430)	(1,217)	(128)	(102)	(77)	(57)	(43)	(32)	(24)	(18)	(344)	(10,855)
<b>Operating Cash Flow</b>	<b>(6,683)</b>	<b>(1,430)</b>	<b>(1,217)</b>	<b>(128)</b>	<b>1,898</b>	<b>(77)</b>	<b>(57)</b>	<b>(43)</b>	<b>(32)</b>	<b>(24)</b>	<b>(18)</b>	<b>(344)</b>	<b>(8,155)</b>
Debt Service													
Revolver Borrowing	7,000												\$ 7,000
<b>TOTAL DISBURSEMENTS</b>	<b>(383)</b>	<b>(1,430)</b>	<b>(1,217)</b>	<b>(128)</b>	<b>(102)</b>	<b>(77)</b>	<b>(57)</b>	<b>(43)</b>	<b>(32)</b>	<b>(24)</b>	<b>(18)</b>	<b>(344)</b>	<b>(10,855)</b>
<b>Restructure Cash Utilization</b>													
Professional Fees	(290)	(124)	(269)	(149)	(124)	(124)	(144)	(110)	(10)	(10)	(10)	(807)	\$ (2,171)
Wind Down Expenses	(181)	(183)	(181)	(173)	(161)	(152)	(152)	(137)	(108)	(47)	(30)		\$ (1,505)
D&O Tail coverage	(3,335)												\$ (3,335)
NECB Transition Services	(59)	(57)	(54)	(53)									\$ (223)
NECB Working Capital	(257)	(257)	(257)	(257)	(257)	(257)							\$ (1,541)
<b>Total Restructure Cash Utilization</b>	<b>(4,121)</b>	<b>(621)</b>	<b>(761)</b>	<b>(632)</b>	<b>(542)</b>	<b>(533)</b>	<b>(296)</b>	<b>(247)</b>	<b>(118)</b>	<b>(57)</b>	<b>(40)</b>	<b>(807)</b>	<b>(8,775)</b>
<b>Beginning Cash Balance</b>	<b>8,930</b>	<b>5,126</b>	<b>3,075</b>	<b>1,097</b>	<b>338</b>	<b>1,694</b>	<b>1,084</b>	<b>731</b>	<b>441</b>	<b>291</b>	<b>209</b>	<b>151</b>	<b>8,930</b>
<b>Plus/Minus Net Cash Flow</b>	<b>(3,804)</b>	<b>(2,051)</b>	<b>(1,978)</b>	<b>(759)</b>	<b>1,356</b>	<b>(609)</b>	<b>(353)</b>	<b>(290)</b>	<b>(150)</b>	<b>(81)</b>	<b>(58)</b>	<b>(1,151)</b>	<b>(9,930)</b>
<b>Ending Cash Balance</b>	<b>\$ 5,126</b>	<b>\$ 3,075</b>	<b>\$ 1,097</b>	<b>\$ 338</b>	<b>\$ 1,694</b>	<b>\$ 1,084</b>	<b>\$ 731</b>	<b>\$ 441</b>	<b>\$ 291</b>	<b>\$ 209</b>	<b>\$ 151</b>	<b>\$ (1,000)</b>	<b>\$ (1,000)</b>

